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Deposited in DRO:

19 July 2010

Version of attached file:

Accepted Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Rauscher, I. and Andriani, P. (2009) 'illycaffè and the Brazilian espresso knowledge network.', in Dynamic learning network : models and cases in action. New York: Springer, pp. 57-74.

Further information on publisher's website:

<http://dx.doi.org/10.1007/978-1-4419-0251-1>

Publisher's copyright statement:

The original publication is available at www.springerlink.com

Additional information:

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Chapter 3. Illycaffè and the Brazilian espresso knowledge network

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Introduction

Italian roaster illycaffè celebrated its 75th anniversary in 2008. It is known worldwide for the quality of its *espresso*, serving 6 million cups in more than 50 thousand shops spread over 144 countries. The illy *espresso* is a refined blend of nine types of coffee beans purchased in 13 producing countries. Out of those, the Arabica variety produced in Brazil accounts for 50% of the coffee used in the blend.

In order to acquire quality coffee beans in the volume and scale needed to serve its customers while meeting the stringent quality requirements of the company, illycaffè developed an extensive and complex supplier network. Aiming to ensure quality along all processes, the company brought into the network all the links of the coffee production chain, from the plantation to the processing of the coffee beans in the company facilities in Trieste (Italy). To show its appreciation for suppliers and ensure a reliable supply of fine Brazilian coffee, the company developed a series of strategic actions that went beyond business relations to include an educational effort, generating and disseminating information and knowledge on how to produce quality coffee (also known as specialty or gourmet coffee), while also forging strong ties with all the elements in the net.

We should bear in mind that in the early 90's, when illycaffè started building up its relationship with Brazilian coffee producers, the international coffee market was very different from today. First, flat global prices did not differentiate products with different characteristics. Therefore, in coffee producing countries, the widespread practice was to mix good quality and poor quality beans in the same lot. This caused losses to illycaffè: the company had to discard up to 70% of the volume purchased because the beans did not meet the standards set by the company. Second, the coffee sector was ripe for radical transformation. Until 1990, the coffee market had effectively been regulated by a cartel (ICO: International Coffee Agreement) lead by Brazil via the Instituto Brasileiro do Caffè' (IBC) (Luttinger and Dicum, 2006). The cartel controlled price and price volatility by agreeing quota among the producer countries and controlling the amount of stock (Daviron, 2005). The end of ICO in 1989 and IBC in 1990 opened the gate for the emergence of new business models.

If on the one hand there were flat prices for the producers, on the other hand demand for premium coffee experienced a boom in importing countries. Consumers wanted a fine drink made with quality beans, something that would add to pleasant relaxing moments. At the same time, by re-inventing the century-old tradition of the coffeehouse (Allen, 2001), the so-called 'Latte Revolution' (Daviron and Daponte, 2005) changed the habit of coffee drinking and transformed the perception of coffee in the US first and then in most other industrialized countries.

Challenged in its efforts to provide this growing market with a great *espresso*, illycaffè undertook initiatives that would enable the company to reach its strategic goal of bringing about structural changes in the cultural values of Brazilian coffee producers to promote premium quality. The company devised mechanisms and developed tools to map producing regions and to identify those producers who were willing to adhere to its concepts of superior quality. Another objective was to ensure their loyalty, so that the company could rely on them to provide coffee beans in the volume and scale needed to meet not only current demand but also its market expansion plans.

An Award for Quality

When it first came to the Brazilian market, the first strategic action of illycaffè to change the prevailing culture among coffee producers and promote quality was to

launch the “Brazil Award for Quality in Coffee for *Espresso*”, together with ADS Assessoria de Comunicações, the partner agency chosen for company’s public relations in Brazil. After 17 annual editions, it was renamed “The Ernesto Illy Foundation Award for Quality in Coffee for *Espresso*” to honor the late president of the company who died at the beginning of 2008.

With the award, the company kicked off its strategy of identifying producers of fine coffees who were also interested in adhering to premium quality concepts, and mapping the more favorable regions for quality crops. This effort led to the formation of a base of loyal suppliers who could support the growing demand.

Today, illycaffè distributes more than US\$ 100,000 in prizes every year to the 50 top contestants, besides committing to purchase all lots submitted for evaluation that pass a quality test. The prizes are awarded in a gala event promoted by the company to celebrate the quality of the coffee traded and the successful acquisition of products meeting their high standards.

Besides ensuring the purchase of coffee from finalists, the company rewards quality with prices that are approximately 30% higher than the market average. For producers, it makes sense to adhere to the concepts of premium quality, as it represents an alternative to the flat prices they would otherwise get. It is also good business for the company, since it minimizes losses and provides a reliable supply of the most important type of coffee beans in the blend served to discriminating customers wherever the Italian brand is present.

Besides the contest and prizes, strategic actions by illycaffè included the forging of direct relationships with suppliers, eliminating the so-called intermediaries. The company made arrangements with the export organization Porto de Santos and started purchasing directly from Brazilian producers and taking charge of the export procedures.

Having created the contest and set a direct channel to producers, the company helped establish the Assicafé, a laboratory led by one of the most respected specialists in coffee quality in Brazil, Dr. Aldir Alves Teixeira. Assicafé analyzes the samples submitted to the contest and the samples being offered for purchase by the company. The lab also assists coffee producers on technical matters and trains the classification specialists who work with the coffee producers.

The actions undertaken by illycaffè around the award drew the attention of the agricultural market in Brazil. Communication actions involving cooperatives and associations in major producing regions and the press helped disseminate company concepts, as well as its vision and values, and this was a driving force for transformation in the local culture, promoting greater commitment to superior quality. In time, the award came to involve other agents, such as classification

professionals, technicians working in cooperatives and associations who help coffee producers identify the best beans. Starting to reap the positive results of its actions, the company went on to create new strategic actions to further stimulate superior quality. Some examples are the creation of a special network group called the “illy Coffee Club”, and the establishment of the illy Coffee University, Unilly, currently called Brazil Coffee University. Both initiatives aim to disseminate knowledge among the links in the production chain. The university was created with the cooperation of professors and technicians of the Program of Studies of the Agro-Industrial System Business (Pensa), of the Foundation of the Institute of Administration (FIA), associated with the School of Economics and Administration of the University of São Paulo (FEA/USP).

The results of the actions can be seen not only by illycaffè but also by its Brazilian suppliers. It was on the one hand beneficial for the company, for it changed the prevailing culture among coffee producers and prodded them to embrace quality concepts through actions that went beyond creating commercial ties to weaving a complex network geared to generating and disseminating knowledge. Some figures for context: to date, illycaffè has distributed close to US\$ 2 million in prizes, received more than 10,000 samples, and built a base of more than 1.6 thousand suppliers who are proud to belong to a differentiated class of producers of fine coffees, the “elite” among their peers, and whose products are welcome in the most demanding international markets.

On the other hand, Brazilian coffee producers and the local market also perceive significant results. In the wake of the pioneering contest, a number of other awards for coffee producers have emerged, sponsored both by public and private institutions. Another positive point was the differentiation of premium coffees introduced initially by the company, which contributed to the launch of a number of other fine coffee brands in the country. This was essential for shaping a culture of coffee appreciation, and led to the establishment of a number of new businesses, besides enabling restaurants to offer their patrons a special way to close their meals, and generate extra income.

In the case of the special premium brands that followed the illycaffè award, an example worthy of mention is “Café do Cerrado”. In the first years of the contest, the positive results obtained by producers in the region called Cerrado, in the Midwest State of Minas Gerais, led to a local strategy of using the high ranking positions obtained in the contest as a marketing tool, positioning the region as a denomination for premium coffee. Regional associations and cooperatives got together and created the Council of the Associations of Cerrado Coffee Producers (CACCER), in the municipality of Patrocínio (MG), launching the denomination

as a means to claim more favorable trade conditions. The results were highly positive: they did in fact climb to a privileged position within the market, and the image of a region that became known for quality coffee even improved the selling price of land. At present, premium quality concepts are so widespread and ingrained that CACCER features certification programs both for products and for properties to meet the requirements of domestic and export customers. The history of the council featured at their webpage (www.cafedocerrado.org.br) recognizes the actions started by illycaffè to stimulate superior quality in coffee. This is a very clear example of how results in the contest were used as a reference in marketing actions:

The award proved beyond doubt the superiority of the Cerrado coffee. Exploiting this fact, the Caccer started to make use of the award as a marketing tool to promote the coffee from the region. As the Illycaffè award was widely known and impacted heavily on the coffee market, we built our strategy around the award. Given the magic presence of Cerrado growers among the award winners, in a short time the image of the Cerrado coffee and of the award spread all over and the quality of the region started to be recognised on the global scale.

A network for generating and disseminating knowledge

The strategic actions of illycaffè to improve quality spontaneously evolved into a complex network, shaped not only by trade relations but also by the pride to belong to the top producers who were glad to share information and knowledge about their activities. The tissue of the illycaffè network in Brazil is created by the direct trade between company and loyal suppliers of fine coffees and by the strong ties between all links in the coffee producing chain. It is enabled by efficient communication that generates and disseminates information and knowledge, and above all, it is nurtured by the mutual trust of all parties committed to improving the quality of coffee in Brazil.

The establishment of the Coffee University of Brazil, the meetings of producers in the illy Coffee Club and the award for quality gradually shaped a true ecosystem generating gains for the Brazilian coffee producing chain and for those regions in the country that embraced the quality concepts in the production of premium coffee. In this ecosystem, the transmission of information and knowledge is faster and more efficient, and is shared in a viral manner, as a “healthy epidemic”, reaching all links in the large scale production chain.

The illy Coffee Club, created in June 2000 by illycaffè to bring together its Brazilian providers of premium coffee, was the first initiative of this kind in Brazil aiming to generate loyalty among suppliers. Through the club, the company organizes direct communication actions with members, and rallies them for actions geared to conveying, exchanging and sharing information and knowledge. At the club, it is quite common for members to meet on the so-called “field days”, where they get together on a property to watch up close what practices are being adopted for the production of superior quality coffee, and the methodologies used for improvement based on information or techniques. The importance of these get-togethers, always featuring a specialist associated with the Brazil Coffee University, can be easily seen: some members will travel close to 1000 kilometers to take part in a field day. The illy Coffee Club is an important knot in this mesh of information and knowledge woven by illycaffè in Brazil; it is an example of collective intelligence whereby coffee producers learn from each other and from the group, leading to new ideas and new knowledge for the improvement of the quality of Brazilian coffee.

Last year, the illy Coffee Club boasted 583 members, 95% more than it had in 2002, shortly after it was created. Besides the possibility to sell their produce to illycaffè at prices that are higher than the market average, members also get better prices for the portion of the crop not sold to illycaffè. The membership card ensures elite status among peers, and illycaffè suppliers are recognized as producers of premium quality coffee. The local market and peers understand they work with the information and techniques aligned with the strict requirements of a brand known for superior quality – press reports and studies by research institutes place illycaffè among the 15 top companies in Italy.

At the illy Coffee Club, members are distinguished for the uninterrupted time they have been supplying the company. First year members carry a red card; after two years, members have a silver card. Members who have sold their product to illycaffè for three or more consecutive years receive a gold card. Gold and Silver members enjoy more than the benefits of the club: they have the chance to enter the “Supplier of the Year” contest, in which a number of aspects regarding regularity and quality of lots are evaluated. The award for the winner is a trip for two to Trieste and Venice to visit the illycaffè’s facilities and see firsthand the technology adopted for the production of the illy *espresso*, and to enjoy one of the major tourist destinations in Italy. The winner is announced at the award ceremony. Besides the trip, the “Supplier of the Year” receives market recognition given the publicity in the press and the story featured in L’Espresso

magazine, an illycaffè publication distributed in the areas in which the company operates.

Another important node in the illycaffè network in Brazil is the Brazil Coffee University, with courses and seminars aiming to train all links in the coffee production chain, from production systems to management. The professors are specialists from Pensa/USP, and from illycaffè's Università del Caffè in Trieste, Italy. Over the past 8 years, almost 6,000 producers participated in the programs, exchanging information and knowledge among themselves and with specialists.

To tie the knots in this mesh aimed to generate, disseminate and share information and knowledge, illycaffè develops a series of communication actions in cooperation with the agency responsible for its public relations in Brazil, ADS. Some examples of communication pieces are the video "How to make coffee a work of art", with tips and cases selected from within the coffee production chain; the instruction manuals "The roads to excellence", guiding coffee producers on good management practices they can adopt in their properties for better quality in all aspects of coffee farming; and printed technical reports on routine problems that can be avoided or corrected in the field. Other examples of tools that facilitate communication between the company and other nodes in the network, and also serve as a platform for disseminating information and knowledge are the magazine "L'Espresso" and the newsletter "Focus on illy Club", both of which feature reports on initiatives by the company, its partners and suppliers – and ultimately, on all the areas and nodes of the national network.

Other tools also help strengthen the ties between the nodes and build up relationships, like the webpage of the illy Coffee Club – www.clubeilly.com.br. In this digital space, the company shows the actions undertaken by the club and also interacts with members, communicating not only technical information but also "field days", courses, seminars and lectures promoted by the Brazil Coffee University and information on the contest and award ceremony. Other initiatives promoted by illycaffè for customer relationship include a toll free number for customer service, exclusive illy gifts, special sales on illy products (coffee machines, cups, coffee blends among others) as well as traditional greeting cards (birthdays, Christmas, etc).

The initiatives meant to disseminate information and knowledge are aligned with the interests of all parties involved in the mesh woven by illycaffè in Brazil. A recent survey among 96 members of the illy Coffee Club showed supplier satisfaction in a number of strategic aspects related to the proper functioning of the network. Among the suppliers that responded to the questionnaire: 96% said they are very happy with their relationship with the company; 84% participate in

the contest; 54% take part in the courses and seminars of the Brazil Coffee University; 92% perceive the benefits offered by the illy Coffee Club as competitive advantage; 69% participate in the “field days” promoted by the club; 92% enjoy reading the L’Espresso magazine; 88% welcome the information in the newsletter “Focus on the illy Club”; 70% like the club webpage; and 79% stated they are very satisfied with their sales to illycaffè. The findings are very encouraging, confirming that the company has overcome the hurdles it found when it first came to Brazil. The survey also proves that the strategic actions go beyond mere business relations; they have shaped a network for the dissemination of quality concepts, tying together all the parties involved in the trade of coffee beans used in the preparation of a drink enjoyed by customers requiring the highest standards in more than 140 countries all over the world.

The findings show that results exceeded the highest expectations for the initial strategy devised to organize a base of suppliers of fine coffees. The company initiatives in Brazil, especially the creation of the award, the club and the university, became so relevant in the Brazilian scenario that they actually lead to other unpredicted positive outcomes. There are plenty of such examples. One of those is the case of the “Zona da Mata” region, in the State of Minas Gerais. The region was once known for the poor quality of its coffee, and with the support of the nodes in the illycaffè network in Brazil, it successfully turned the situation around. Using the relations in the illy Coffee Club and the suggestions of illycaffè’s specialists, producers in the region adopted best agricultural practices and improved the quality of their product, climbing to the top ranks in illycaffè contest, and improving their trading conditions. By adhering to quality concepts, producers united to change the identification of the region, using a new denomination, “Matas de Minas”, to distance themselves from the negative image associated with the old denomination “Zona da Mata”.

The case of “Matas de Minas” serves as evidence of the viral, epidemic-like effect of the information and expertise exchanged and shared through the network among all the nodes connecting illycaffè relations in Brazil. The efforts geared to the adoption of new agricultural concepts and practices in the region drew the attention of the market not only locally but also internationally. Besides the production-related aspects, the efforts impacted even the personal lives of the producers. Case in point is the example of brothers Edmilson and Walter Dutra, farmers in the municipality of Manhuaçu (MG). By adhering to illycaffè quality concepts, they gained access to new markets and better trading conditions. This brought in more income and improved quality of life for their families – they can now afford to travel to the US and Europe on vacations. Also, the benefits of

adhering to quality in agriculture motivated them to adopt the same concepts in their other businesses, with similar positive results.

The structure of the knowledge flows within the illycaffè suppliers network show some interesting features:

Multi-layer

The network shows different layers of connectedness and control. At the centre sits Illycaffè in Trieste, Italy. The centre sets the strategic direction and practises a fairly hands-off policy in terms of implementation of strategy. But Illycaffè also keeps a close involvement with the Brazilian Espresso Knowledge Network by participating to the club field tours, administering technical course, visiting suppliers, etc. These actions create and maintain a network of personal relationships between the centre and the other layers of the network that infuse the network with a human touch, generate long-term trust and reduces the knowledge path length (Watts, 2003).

Illycaffè's inner network. This is composed by a limited number of companies, in tight contact with illycaffè in Trieste, specialising in the management of all operations related to the Brazilian environment, such as, quality, PR, marketing, export, logistic, training, management of the illy award, etc.

Core suppliers' network: this is the set of suppliers that are part of the Club. We call it core as it shares and promotes by their actions and professional success the quality philosophy of illycaffè. Club members are active participants to the Brazil Coffee University training initiatives and are widely considered as the best quality producers of coffee for espresso in Brazil. Illycaffè invest heavily in the relationship with these suppliers, some of whom do collaborate on Research and Development programs with illycaffè and other Brazilian institutions.

Suppliers - not part of the Club. this is a broader set of suppliers from which the core of suppliers is selected. Though this layer is more distant than the Club suppliers, nevertheless, it provides a crucial source of weak links (Granovetter, 1992) through which a wide variety of information can flow. Also, it constitutes a basin for further expansion of the suppliers base.

Multi-channels

Knowledge flows through a variety of different channels:

Top-down

From illycaffè to growers via Brazil Coffee University: this is the channel controlled by illycaffè and illycaffè's inner network in Brazil. This is the preferential channel through which the Brazil Coffee University training takes place. Two different strands of knowledge flow through this channel: first, technical and scientific knowledge mainly related to coffee growing and acquired in central labs (learning-by-researching) is spread in a top-down fashion to suppliers; second, the channel helps diffuse 'best practice' acquired in a bottom-up fashion (see below).

Bottom-up-down

From growers to illycaffè : visits to farms and conversations with growers in Brazil and beyond enable illycaffè people to observe and select innovations and local practices (largely based on learning-by-doing). These innovations are then diffused within the network through the top-down mechanism described above.

Bottom-out

From growers to growers via Club visits: besides the vertical channels discussed above, we have also observed the spreading of innovations through an horizontal channel. Growers that participate to farm visits organized within the Club observe local innovations and improvements, upon which they can experiment. This process results in a transformation of the initial product/process innovation with a consequent improvement and adaptation to a local context. Occasionally some of the organizational innovations turn into best practices. Further visits will spread the improved product/process innovation throughout the network. The stunning feature of this channel is that it is an unintended consequence of the loyalty program introduced with the Club. It is, in other word, a self-organizing and distributed innovation mechanism. Innovation and knowledge diffusion within the horizontal channel occur outside the planning and intentions of illycaffè's inner network. As it happens with many self-organizing features in network, this one too is exposed to virtuous network effects (or externalities). The larger the network and the more frequent and intense the conversations occurring within, the higher the chance that some innovation will be picked, improved and diffused for the benefit of the whole network. Though in principle this may look like a net loss of competitive advantage, in practice there are

powerful reputational and peer-pressure mechanisms at play from which the innovators draw some kinds of returns.

Outside-in

From growers abroad to Brazilian growers: the replication of the Brazilian ‘experiment’ outside of Brazil has created a further channel for knowledge exchange. For instance, we can document the case of the ‘raised beds’: this a techniques for exsiccation of coffee cherries, used in the African coffee producing regions, that has been ‘imported’ in Brazil by an illycaffè suppliers, following an illycaffè -sponsored trip to Africa.

Trust-based and high knowledge density

Our research has revealed that Illycaffè has devised a business model based on four features: a) higher price for coffee supplies, about 30%, or more, than the market price (set at the New York Coffee Exchange); b) investment in improving suppliers’ produce quality by freely diffusing technical knowledge; c) direct relationships with suppliers based on personal interactions; d) long-term relationship based on expectation that Illycaffè never fails to honour the promise to buy quality coffee.

The synergistic combination of the four business model aspects and the long-term reliability of illycaffè, have generated a high-trust environment, in which at most two degrees of separation exists between any two members of the network. Trust, short path length and wide geographic dimension covered by the network, enable diversity to coexists with a smooth and fast diffusion of information.

Non-exclusive and open

Membership in Club is non exclusive and non-binding. The most entrepreneurial suppliers are usually part of multiple overlapping associations, clubs, cooperatives, and other organizational forms. Participation in multiple fora increases the variety of context to which suppliers are exposed, amplifies the quality and diversity of the circulating information and stories and allows the cross-fertilisation of knowledge among different sectors. In fact, many suppliers have diversified from coffee into other crops, such as soy, sugar cane, wood, etc. and applied the knowledge developed in one sector to the others. Illycaffè

encourages all initiatives that lead to a quality increase even in the case, as indeed it is often the case, illycaffè's competitors may profit.

This business model together with illycaffè reputation of the best espresso roaster in the world has generated powerful incentives to join the network and engendered a high level of trust between illycaffè and suppliers and within the suppliers community.

The insertion of coffee in the information and knowledge economy

The many connections of the illycaffè network in Brazil show that the strategic actions initiated by the company brought great innovations to the local coffee market. The company always pioneered the use of technology and innovation in its operations, introducing a significant number of advances in the industry. The history of illycaffè is based on the tripod "science, technology and art": these are the factors behind the development of programs for generating, disseminating, exchanging and sharing knowledge and information and guiding the design of tools for communication and relationship management.

Shaping a complex information and knowledge network with suppliers in Brazil is consistent with Spanish sociologist Manuel Castells' description of a "network society". In the late 1990's, Castells published a study on the technological evolution of the many layers of society and its local and global impact. In his book *The network society*, 2007, which first edition was published in 1999 as the first volume of a trilogy called *The information age: economy, society and culture*, the author analyzes the transformations caused mostly by the advance of what he calls the "information and knowledge economy", leading ultimately to a network society.

Although Castells focuses more closely the development of communication and information technologies, the movement towards a network society may help describe the impacts of the network formed by illycaffè and suppliers in Brazil, with connections expanded by interwoven nodes or knots tied by the generation and dissemination of knowledge. Like the movements observed by Castells, this is a local network in terms of operation, yet global in its reach. The knowledge transmitted and generated in Brazil stimulates the production of quality coffee beans exported to Italy, where they are processed together with beans from other countries for the blend used in the *espresso* enjoyed by customers in more than

140 countries. The creation of a network featuring complex connections and embedded in the economy of information and knowledge permeating any intended market (in the case of illycaffè, the premium coffee market) impacts the different economic and social environments described by Castells.

Aware of the emergence of new social and economic scenarios facing global companies, the strategic actions by illycaffè are related to Castells' observation concerning the restructuring process of capitalism itself, characterized by factors associated with the economy of information and knowledge, such as: flexible management; decentralization of companies and organization in internal and external networks (involving other companies and institutions; individualization and diversification of labor relations; incorporation of women in the remunerated workforce; state intervention for the deregulation of markets and dissolution of the welfare state; and fiercer economic competition. (Castells, 2007: 39)

Some key points shaping the new scenario described by Castells are also present in the structure developed by illycaffè in Brazil to promote quality. Among them, he mentions economic and social changes leading to an informational, global, networked environment.

It is *informational* because productivity and competitiveness among units or agents in the economy (whether companies, regions or nations) depend basically on their ability to generate, process, and efficiently apply the knowledge-based information. It is *global* because the key productive activities, consumption and circulation, as well as its components (capital, labor, raw materials, administration, information, technology and markets) are organized on a global scale, either directly or through a network connecting economic players. It is a *network* because, under the new historical conditions, productivity and competition arise within a global network of interactions among corporate networks. (Castells, 2007: 119)

The characteristics of the new scenario described by Castells show that the unfolding of the information economy is relevant to every economic activity, and very especially to industrial operations. In this context, the network structured by illycaffè to disseminate quality concepts in coffee is aligned with the restructuring of capitalism defined by the author as "informationalism". As for the effects of economic transformations, Castells believes factors such as productivity, competitiveness and profitability are now very much influenced by the accumulation and application of knowledge and the access to information, as well as by the information flow between the different nodes connecting corporate networks in different economic activities. Once again, the concepts described by the author can be used to explain the impact of the knowledge network structured

by illycaffè in Brazil, as well as the efficiency of the strategic actions developed by the company to create a base of loyal suppliers using knowledge applied to crops for the production of premium coffee.

Another author who writes on the creation of knowledge networks is Yochai Benkler (2006), professor at the Yale Law School in the US. As illycaffè's initiatives brought about a cultural change in Brazilian coffee production aiming superior quality through the use of knowledge, Benkler analyzes the function and role of networks within the new scenario where the format in which information and knowledge are disseminated has been altered. The author shows that the traditional communication pattern "one to many" has evolved to "many to many" within networks. This is a more malleable, interactive pattern, allowing for strategies that do not have to conform to the traditional information market, since knowledge is now exchanged and shared.

In his study, Benkler defines the current scenario as the "network information economy", in which the exchange of information through open platforms is increasingly important; where knowledge is built on the decentralized, cooperative, shared traffic of information among peers or individuals sharing the same interests. Albeit driven by clear business objectives, the illycaffè case fits the description, given the fact that the actions went beyond the initial strategies devised to support the purchase of quality coffee beans by the company. In the case of the network structured by the company, the decentralized information flow among coffee producers and the other nodes in the network has fostered the generation of new knowledge on coffee agriculture, as well as the dissemination of proven concepts and techniques as best practices in growing and producing fine coffees.

Although it is a network structured around a company, the nodes in the illycaffè network in Brazil feature a new logic, one that Benkler claims must not be aligned to a market system, or that in other situations may run parallel to such a system. In either system, the logic identified by Benkler and deployed in the knowledge network devised by illycaffè for quality in coffee features clear cooperation between peers in networks, or among the many nodes within them, with information being exchanged and shared and thus generating and disseminating knowledge that can be adopted and applied, and consequently cause ongoing transformation and improvement in reality.

Final considerations – Changing the landscape through knowledge

This article illustrates an example of a knowledge network in the agrifood sector with some notable characteristics both in terms of its evolution (how it came to be) and of the structure of its knowledge flows.

In 1991 when Illycaffè changed their purchasing policy they unwittingly triggered a radical change in the coffee value chain (CVC). The global CVC was and still is characterised by two peculiar features: a) geographic isolation between production and consumption - production takes place in the Southern hemisphere, whereas consumption occurs predominantly in the Northern -; b) dramatic imbalances in the CVC (Daviron and Daponte, 2005) with a 'coffee boom' in consuming countries and a 'coffee crisis' in producing countries' together with a high supply of 'low quality' coffee and a dire shortage of 'high quality' coffee.

Against this background Illycaffè's decided to disintermediate the coffee supply chain and to interact directly with coffee producers in Brazil. This decision had a radical effect: it created a direct link between consumption markets and production markets, through which knowledge and information could flow. Before then, the multiple links between production and consumption (roasters), cooperatives, traders, buyers, financial markets, etc. – effectively blocked knowledge and information flows between users and producers, that is, between consumption in the Northern hemisphere and production in the Southern. One of the great intuitions of illycaffè and specifically of the late Ernesto Illy, the chairman of the company, was to understand that the structure of the global CVC froze the coffee sector and the lives of thousands of growers into a business model geared toward increasing product standardization, ideal for a commodity market (Andriani and Detoni, 2007). The way to break the trap of commodity markets was twofold: by designing of knowledge management approach that transferred knowledge of consumption markets directly to the provider of the 'raw' material and by providing a business channel that bypassed the commodity markets and its bottleneck centred around the New York Coffee Exchange.

The network for the generation and dissemination of knowledge structured by illycaffè produced a lasting change in the culture of coffee production activities in Brazil, ultimately leading to the insertion of the country in the worldwide market for premium coffees. Considered as a whole, the strategic actions

undertaken by the company to stimulate Brazilian producers to commit to producing superior quality in coffee helped some of the players in the production chain to focus their efforts not only on the commodity market, where quantity alone is what matters, but also on new value-added markets that reward superior quality in coffee beans with higher prices. We can thus say that the illycaffè network contributed to the emergence of a new paradigm for Brazilian coffee.

Other macro-economic reflexes of the strategic actions undertaken by the company in Brazil were the recovery of the image of Brazil as a country producing specialty coffee, conquering international reputation, and access to new markets both domestically and internationally. In the case of the new market conditions for fine Brazilian coffees, two facts deserve mention. First, the concern illycaffè showed for the quality of Brazilian coffee created a new culture of *espresso* appreciation and consumption. It contributed to creating new habits among Brazilian consumers, and also opened the market to competitors who came to Brazil to offer their products to the newfound consumers of special coffees. The growing number of coffee bars spread out over large cities all over Brazil is evidence of the emergence of new coffee consuming patterns. Also, in the specific case of illy *espresso*, for example, sales went from practically zero in the early 90's to the current 54 tons a year. Second, today there are dozens of special domestic and international coffee brands available in supermarkets as well as coffee bars and many other places for consumers who want to enjoy a good *espresso* and find out more about the different types of coffee. Regarding the larger volume of *espressos* sold today, illycaffè always defended the idea that larger sales are correlated with better quality products available for coffee lovers – that is why the company believes in ongoing investment in new technologies and initiatives to enhance quality in all phases of the production chain, from plant to cup.

For rural producers, after the arrival of the Italian company and the creation of the award for quality, a number of other contests were launched both by public and private institutions, all aiming to identify quality coffees. This is true for all producing regions, both traditional and new areas mapped by illycaffè's pioneering contest. In fact, the contest was decisive for the emergence of new areas associated with quality in coffee, such as Cerrado Mineiro and Matas de Minas (formerly known as Zona da Mata, in the State of Minas Gerais); the Mountains of the State of Espírito Santo; the Western regions in the State of Bahia; the surroundings of the municipality of Piraju, in the State of São Paulo, and the States of Paraná and Goiás.

Among the suppliers that are part of the illycaffè network in Brazil, one can see market recognition for the quality concepts they chose to adhere to, and a new status for being associated with a company whose name is synonymous with premium quality.

The success of the strategic actions leading to the unfolding of the illycaffè network in Brazil inspired the company to export the model to other countries where it also purchases fine coffees for the espresso blend it offers consumers around the world. Today, India and Colombia have their own version of a award that recognizes superior quality in coffee and identifies suppliers and regions producing fine coffees, with a view to develop a loyal base of producers who can meet the high standards set by illycaffè and its consumers.

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